

INTERNSHIP REPORT ON CREDIT MANAGEMENT

DHAKA BANK LIMITED



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LETTER OF TRANSMITTAL

September 2013

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Subject : Submission of the report

Dear Madam,

With great pleasure, I am submitting my internship report on “**Credit Management of Dhaka Bank Limited**” which was assigned as an essential requirement of Internship program. I tried my best to gather relevant information for preparing a complete report.

Without sincere co-operation and proper guidance of yours, it would not possible for me to prepare this report. For this kindness, I am graceful to you. This report is not free from mistake due to some limitation. I hope you will accept it with gracious consideration.

I am glad to your initiatives to the research project in business related issues. For any confusion please remind me to feature clarification.

Sincerely yours,

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Program: BBA

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Acknowledgement

At the beginning I am very much grateful to almighty Allah for giving me strength and opportunity and sound mind to complete the internship report. It is common practice to thank all those people who contributed to the task that one has to achieve and I see no reason to change this custom.

Preparing the Internship Report “**Credit Management of Dhaka Bank Limited**” is not an easiest assignment where the information should be analysed properly and some data yet to be disclosed on the report. This descriptive paper is the outcome of my practical working experience in Dhaka Bank Limited (Dhanmondi Branch). For successful completion of this report, I have been fortunate to have the support, assistance and encouragement of a number of individuals. Many of them played a decisive role in helping me making this report, although I honestly accept full responsibility for all the errors and omission.

There are those people who contributed in conducting my report, those who have helped me to prepare this report and provided moral support and encouragement and provided information. I like to thank specially to honourable sir **Sheikh Abdul Bakir**, Vice President & Manager of Dhaka Bank Limited (Dhanmondi Branch), who gave me the opportunity to conduct my internship program at Dhaka Bank Limited (Dhanmondi Branch).

Secondly I would like show my heartiest gratitude to **Luna Jesmin**, Senior Assistant Vice President & Operational Manager of Dhaka Bank Limited (Dhanmondi Branch), who has guided me from the very beginning and helped me in gaining practical experiences in banking.

Thirdly, my special thanks go to **Sumaiya Sharmin**, Trainee Officer and **Adnaan Jamile**, Probationer Officer Of Dhaka Bank Limited (Dhanmondi Branch), who helped me with providing lots of information regarding my internship report. They were very supportive in supervising my works and I am so much grateful to all the employees of Dhaka Bank Limited (Dhanmondi Branch) for their whole hearted co-operation.

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List of Abbreviation

- DBL – Dhaka Bank Limited
- GB – General Banking
- FDR – Fixed Deposit Receipt
- DPS – Deposit Pension Scheme
- SDS – Special Deposit Scheme
- A/C – Account
- SISO – Serial In Serial Out
- BG - Bank Guarantee
- H.O. – Head Office
- EOL – End of Life
- CIB - Credit Information Bureau
- KYC – Know Your Customers
- L/C – Letter of Credit
- SOD-Secured Overdrafts

Executive Summary

As a mandatory requirement of the Bachelor of the Business Administration (BBA) program under BRAC University, this report is a connived representation of the three month long internship program at Dhaka Bank Limited (DBL). This is an orientation report which is conducted to find out the possibility of establishing the position of DBL and the real life day to day working experience of different tasks in Credit Department of Dhaka Bank Limited, Dhanmondi Branch.

The main objectives of the report are identifying the credit approval and monitoring and their overall performance in the last few years. Both primary and secondary sources of data have been used to prepare this report. The first part of this report includes an introductory part which includes introduction, objective, scope, limitation and methodology. Second part of the report shows the working experience of my internship period at different division of DBL. The remaining part consisted of analysis, findings, recommendations and conclusion.

Dhaka bank limited is one of the leading private banks in Bangladesh. And to serve the nation, DBL executes some activities for their customers like general banking, loan and advance, capital market operation etc. Dhaka bank collects deposit from public and offers it to other business or individual as loan. They pay interest to deposit holder and take interest from borrowers. They measure and examine all risk components before authorising a loan. After completing all the formalities, the respective officer disburses the loan. Then it becomes a duty of the bank to recover the disbursed loan. The report is prepared on actual information and working method practiced in DBL. The overall credit management of DBL has analysed to give a clean idea about the credit approval and monitoring policy of DBL and implementation of that policy.

Chapter-1

INTRODUCTION

1.0 Description of the Project

The purpose of this project is to discover and analyse the Credit services like its outstanding, recovery, classified loans etc. approval and monitoring process of Dhaka Bank Limited. It also comprises the performance of credit facilities in recent years. And to find out different credit facilities that Dhaka Bank Limited is providing for their clients as well as to give an idea about the securities behind the loan facilities and issuing diverse bank assurances.

1.1 Scope of the Project:

The scope of the report is the evaluation of the performance of credit management in credit department of Dhaka Bank Limited where I have undertaken my internship program. This report helped me to understand the clear real-time experience about the total management of Dhaka Bank Limited. It helped me to understand, how the bank manage its total process. It also helped me to understand how they deal with the customer.








This report has been prepared on the basis of experience gathered during the period of internship from **1st May to 30th August**. Within this period I visited three department namely General Banking, Clearing and Credit department. I was lucky because I got very friendly customers and officers to collect data about my report during my internship program and I am really very grateful to them for their tireless cooperation to me.

1.2 Objectives of the Project

General Objective

The primary objective of this report is to use the theoretical concepts in analysing real life of Practical Orientation in Banking activities, which is a partial requirement of the BBA program. The main objective of this report is to analyse the **“Credit Management of Dhaka Bank Limited.”**

Specific Objectives

-  To present an overview of Dhaka Bank Limited.
-  To recognize the terms and conditions of credit management of Dhaka Bank Limited.
-  To know the several interest rates for different types of loan and what kinds of securities taken against different size of advances.
-  To know the lending procedure of Dhaka Bank Limited.
-  To discover the position of Dhaka Bank credit Division in the mind of their regular clients.
-  To analyse the process and monitoring system of credit department.
-  To mark some recommendations for the successful credit management in Credit Department of Dhaka Bank Ltd.

1.3 Methodology




The internship program was fully completed in a very efficient and effective business environment. To prepare this project, the following methodology was adopted in collecting data & information as well as preparation of the reports.

Research Type


To prepare this report all the necessary information collected from both primary and secondary sources of data.

Primary Sources of Data

Data was collected from different primary sources. So methods that were used to collect data are:

-  Informal Discussion with employees and clients
-  Personal experience gained by visiting, different desks.
-  Personal investigation with bankers.

Secondary Sources of Data

-  **Internal Sources:** Annual Reports of Dhaka Bank Limited, Other published documents of the bank, Previous performance matters booklet Dhaka banks Website.

- **External Sources:** Books, Articles, Journals, Newspaper, Different Brochures, Web browsing.

Data Analysis and Reporting

Both the qualitative analysis (SWOT analysis) and quantitative analysis (Financial data analysis) have been used to collect and analyse the collected data.

1.4 Limitations

Though I have tried to prepare this paper with full of information but there are some limitations of the project. Such are as follows-

- The key limitation of the project was insufficiency of information. Since credit is very sensitive dept. as a result bank employee can't provide all necessary information due to security and other corporate obligations.
- Workload was a great barrier to prepare this report.
- Self-observation was highly required because the officers of this bank couldn't help though they are being always very busy with customers. Even though they tried a lot to help me in the rush hour and whenever they become quite free.
- The duration was very short to prepare a better report. But I tried with my level best to prepare this report as better as could be.
- Due to lack of previous job experience there might have some shortage of proper information but through maximum efforts I tried to avoid any short of mistakes.
- One of the major limitations is the shortage of internship period. Since **3month** is not enough to know everything of a Bank.
- Since Bangladesh Bank (BB) regularly changes their policy towards commercial banks. So to adjust with BB, DBL also has changes rules & regulation according to BB. As a result in all cases, I can't collect all update information & strategy.

Chapter-2

THE ORGANIZATION

2.0 Introduction

Dhaka Bank Limited is one of the leading private sector commercial banks in Bangladesh. They are offering variety of Personal, Corporate, Foreign Exchange, Lease Finance, International Trade and Capital Market Services. The Bank offers the full range of banking and investment services for personal and corporate clients which are provided through their latest technology and a team of highly motivated officers and staff. Dhaka Bank Limited had been widely praised by the business community from small business to large traders and industrial companies, including the top rated commercial borrower for advancing business position and pioneering financing solutions. The Bank has started Online Banking services (i-Banking), countrywide shared ATM network and has introduced a co-branded credit card. A development is also in progress to provide e-business facility to the bank's customers through Online and Home banking solutions. Dhaka Bank is making loan and advances in different areas. The bank continues to explore and diversify its loan distribution with the objective of effective use of resources and take utmost precaution to maintain that. The main source of profit of Dhaka Bank limited comes from different types of loan and credit facilities. So the management of DBL should put a lot of effort in credit management.

2.1 History

Dhaka Bank Limited was incorporated as a public limited company on April 06, 1995 under the Companies Act 1994.

They have started their commercial operation on July 05, 1995 with an authorized capital of Tk. 1,000 million and paid up capital of Tk. 100 million, targeting at offering commercial banking service to the customers' door all over the country. Dhaka Bank Limited established 62 branches, SME Service Centres, 6 CMS Units, 2 Offshore Banking Unit across the country and a wide network of correspondents all over the world. They are planning to open



more Branches in the current fiscal year to expand the network. This organization achieved customers' confidence immediately after its establishment in domestic and international markets. The Company Philosophy - "Excellence in Banking" has been preciously the essence of the legend of bank's success. The bank within a period of 18 years of its operation achieved a remarkable success and met up capital adequacy requirement of Bangladesh bank.

2.2 Mission and Vision

Mission

“To be the premier financial institution in the country providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver Excellence in Banking.”

Vision

“At Dhaka Bank, we draw our inspiration from the distant stars. Our team is committed to assure a standard that makes every banking transaction a pleasurable experience. Our endeavour is to offer you razor sharp sparkle through accuracy, reliability, timely delivery, cutting edge technology, and tailored solution for business needs, global reach in trade and commerce and high yield on your investments.”

Goal

“Our people, products and processes are aligned to meet the demand of our discerning customers. Our goal is to achieve a distinction like the luminaries in the sky. Our prime objective is to deliver a quality that demonstrates a true reflection of our vision – Excellence in Banking.”



2.3 The Values

- Customer Focus.
- Integrity and Honesty
- Quality
- Teamwork.
- Respect for the Individual
- Responsible Citizenship
- Transparency and Accountability
- Environmentally Conscious
- High Morale

2.4 Product/Service Offerings

The products/services offer by Dhaka Bank limited is shown in chart below:

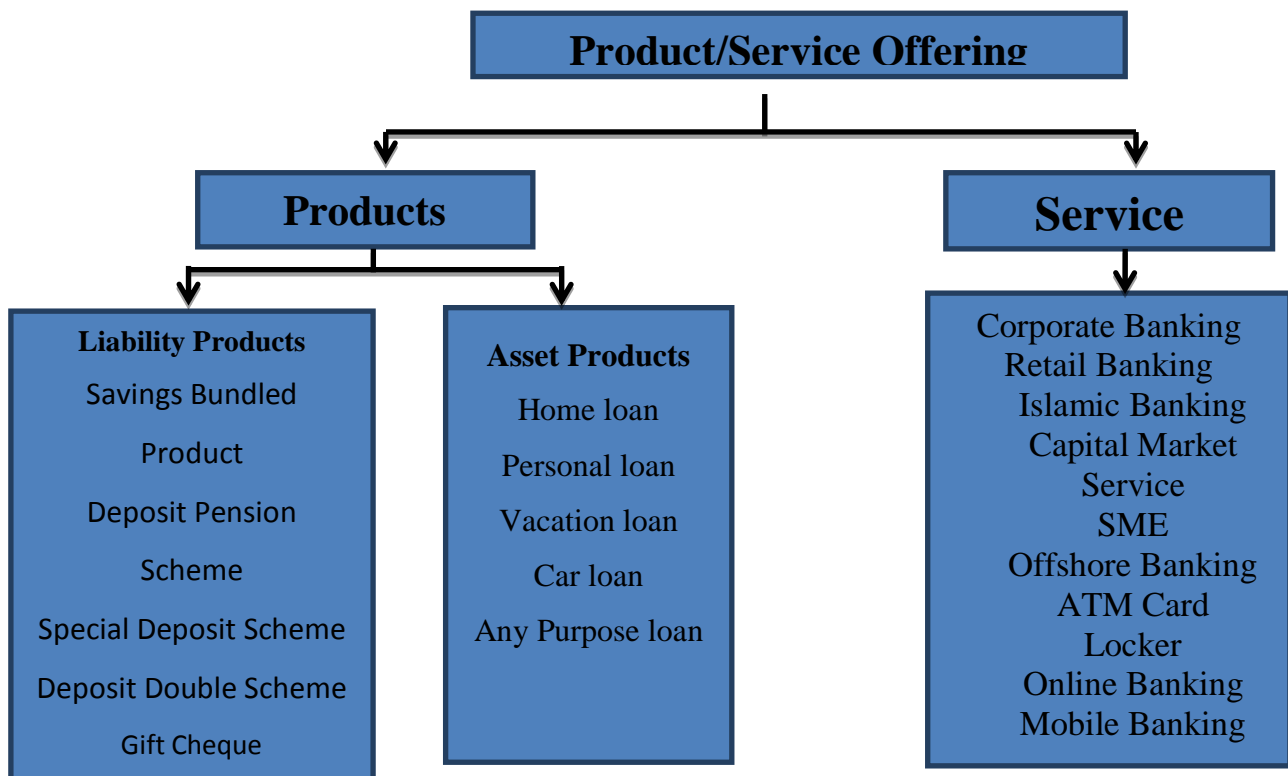


Chart - Products/services offering by DBL

2.5 Operational Network Organogram

Organizational Hierarchy is shown below in an ascending order:

| |
|---|
| Managing Director |
| Deputy Managing Director |
| Senior Executive Vice President |
| Executive Vice President |
| Senior Vice President |
| Vice President |
| Senior Asst. Vice President |
| First Assistant Vice President |
| Assistant Vice President |
| Senior Principal Officer |
| Principal Officer |
| Senior Officer |
| Management Trainee Officer |
| Junior Officer |
| Asst. Officer/Asst. Cash Officer |
| Trainee Asst. Officer/Trainee Asst. Cash Officer |
| Telephone Operator |
| Trainee Telephone Operator |



Chart-Organizational Pyramid

2.6 Risk Management

In view of the global recognition towards need of an effective risk management and control systems in financial sector, Dhaka Bank Limited being cognizant of the importance of the subject, has prepared and implemented the following policy guidelines on Risk Management :

- Credit Risk Management.
- Asset Liability Management.
- Foreign Exchange Risk Management.
- Internal Control & Compliance.
- Prevention of Money Laundering.



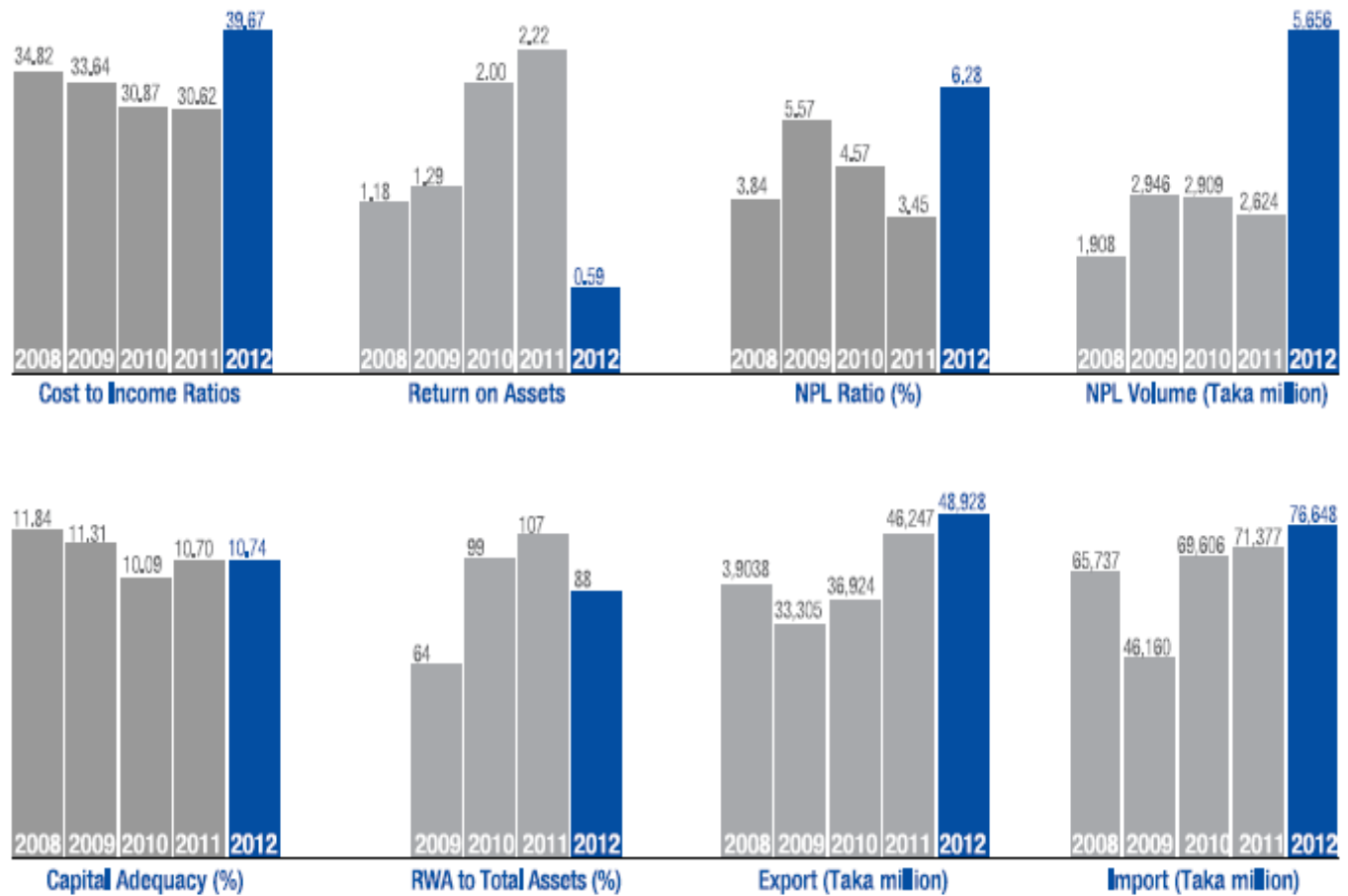
2.7 5 Years at a Glance

Annual report 2012 of Dhaka Bank Limited represents their 5 years progression which is showed below:

Taka in million

5-year Progression continued

Key Ratios- The Bank



Source: Annual Report 2012

CHAPTER- 03: JOB RESPONSIBILITIES AND OBSERVATION

I started my internship program at Dhaka Bank, Dhanmondi Branch from 2nd June of 2013 and it ended up at 1th September of 2013. During this time I have got the opportunity to work with different unit of DBL. The responsibilities that I was had to complete at each unit are presented below.

3.0 Job Responsibilities at Different Unit

Most of the time in my intern period, I had to work in credit department. That is why I prepared my internship report on 'Credit Management of DBL'. Firstly I was assigned in **General Banking (GB) Department** for more than 1 month under direct supervision of Luna Jesmin, Operational Manager and SumaiyaSharmin, Trainee Officer. At that time I had to do below activities-

- I had to do photocopy of different documents.
- Printing and typing different forms and papers
- Taking signature from NeghatParvin, GB In charge and Luna Jesmin, Operational Manager as well as from other department senior officer for different purposes like FDR, DPS, Gift Cheque, PO (Pay Order), A/C Opening
- Helping supervisor by finding out old forms like Current a/c , saving a/c ,FDR, DPS
- Checking and filling up different forms like FDR, DPS, SDS etc.
- Organize all the client files & keep them at an exact place individually.
- Helping customers in the process of A/C opening.
- Helping clients that where to signature on their form.
- Authorized Cheque books

At Clearing Desk, I worked only 1 week under Khaled Mahmud. So my activities were:

- Scanning cheques
- Count vouchers
- Putting different seal on cheques
- Finding out the returned cheque
- Give call to those customers whose cheque is returned.
- Organizing cheques according to their banks and that date.

Then I started working at**Credit Department** under AdnaanJamilee, Probationer Officer. My job activities were-

- Checking and filling up different loan's forms
- Data entries in the computer.

- Helping clients that where to sign on the form.
- Organize all the customer files like car loan, home loan & keep them at an exact place separately.
- Printing, typing and photocopying different documents that were related to credit.

3.1 Observation and Recommendation

I had a great experience working at DBL, Dhanmondi Branch. This experience helped me to learn many things from them. After working with them I have observed and some of my recommendations are presented below:

- ❖ They have a very friendly working environment and their employees are co-operative.
- ❖ Though banking hour is 10.00 am to 6.00 pm but most of the time bankers can't leave workplace before 8 to 9 pm because of work pressure.
- ❖ Their employees are active and sincere to their consigned responsibilities.
- ❖ In case of opening FDR, DPS or a/c closing etc. sign required from 2 departments in-charge. One from GB which is located in ground floor and other from credit or foreign trade department which is located in 1st floor. When I was working with GB, I had to go up & again come down almost 20-30 times per day for those signing purpose. So it should be designed in such a way that it reduces time as well as difficulties for the sign taker.
- ❖ Lastly, IT department is not well developed as most of the day I saw their system was down and did not work properly which creates problem for both employees and clients. So they should work on that.

Chapter 04:

THE PROJECT CREDIT MANAGEMENT OF DHAKA BANK LIMITED

4.0 Credit Department of DBL

Credit is a contractual settlement, in which a borrower receives something of value now, with the agreement to repay the lender at some date in the future. One of the basic functions of the bank is to deposit extraction and credit extension. And handling credit operations is the crying need for every bank. The objective of the credit operation is to maximize the performing asset and the minimization of the non-performing asset as well as ensuring the optimal point of loans and advances and their efficient management.

Credit department is one of the most important departments of any bank. The money organized from ultimate surplus units are allocated through this department to the ultimate shortage unit (borrower). Success of this department keeps a great inspiration on the overall profit of a bank. Again, Failure of this department may lead the bank to huge losses or even to bankruptcy. Like any other bank Dhaka Bank Limited's credit division also tries to do their job flawlessly.

4.1 Credit Policy of DBL

Lending is the most important meaning of bank. Every bank should have their credit policy. Dhaka Bank Limited has their own credit policy and has been formulated of the plan of "ALL NEW LOANS TO BE GOODS LOANS"; and the plan was made on the basis of the following goals:

- To deliver satisfactory return on investment
- To deliver credit to possible borrowing at a reasonable cost
- To maximize the profit of the bank by making rigorous lending
- To support the social and economic development of the country
- To deliver general banking facilities to the public and credit to viable borrowers at a reasonable cost

But the problem is, in DBL most of the lending officers are not familiar with their written credit policy or lending guidelines. They have got only some oral instruction from the senior management or in charge of credit. If all the lending officers of DBL comprehensively know and understand their credit policy, it will be very helpful for them to do their works more

efficiently.

4.2 Tasks of Credit Division

Money lending is one of the important functions of a bank. That is why selection of borrower is the most important and vital job for a banker for this lending process. Before taking the credit facilities, it is important that the applicant should meet the requirements of five Cs. These five Cs are:

- Character – Intention to pay back the loan
- Capacity – Borrower's competence in terms of utilizing the fund profitably and generate income
- Capital – Financial strength to Lending cover the risk
- Conditions – General business condition between two parties
- Collateral – Implies additional securities

Moreover, purposes of the credit department are dealing with credit exposure of the bank, compliance of Central Bank Ltd, maintaining credit risk, recovering or collecting dues of retail loans or advances. Currently credit division does following activities:

- Dealing with Corporate & Retail Credit
- Collecting and Monitoring Activity
- Maintaining Recovery & Risk Management

Also credit department include managing the financial records of the bank, preparing daily reports for Bangladesh Bank, checking all entries of the book on the basis of standards, revenue assumption and calculations, setting the internal pricing rates etc.

4.3 Different Categories of Credit Facilities

Different types of credit facilities are offered by DBL. Some of those facilities are presented below:

Overdraft

Overdraft means the act of overdrawing from any Bank account. In other words, the account

holder withdraws or takes away more money from their Current Account than has been deposited in it. The loan holder or borrower can freely draw money from that account up to the limit and can deposit money in that account. But the Overdraft loan has an expiry date. After the expiry date, renewal or enhancement is required for having such facility. Any deposit in the overdraft account is accepted as repayment of loan. Interest is charged as per balance outstanding on quarterly basis. Overdraft facilities are generally approved for businessmen.

Bill Discounting

Here, Bank takes the bill drawn by borrower on his (borrower's) client and pays him immediately deducting some amount as discount/commission. Then bank shows the Bill to the borrower's customer on the due date of the Bill and collects the entire amount. If it is delayed, the borrower or his client pays the bank a pre-determined interest depending upon the terms of transaction.

Lease Finance

Lease finance is made to obtain the assets selected by the borrower (lessee) for hiring of the same at a certain agreed terms and conditions with the bank (lessor). Here, bank holds ownership of the assets and borrower holds and uses the same on payment of rental as per agreement. In this case no down payment is needed and usually purchase option is not acceptable.

Letter of Credit (L/C)

It is the pre-import finance made in the form of obligation on behalf of the client to pay an agreed sum of money to the beneficiary of the L/C upon fulfilment of terms and conditions of the credit. Thus at this stage bank does not directly accept any liability, as such the same is termed as contingent liability.

Term Loan

Under this type of loan, Banks lend money in away that when the repayment is required to be made is fixed, pre-determined instalments. These are the loans approved for repayment in period more than one year. Usually this type of loan is given to the borrowers for acquiring

long term assets.

Short Term loan

It is the term loan which is extended for short period usually up to One year. This type of loan may or may not have exact repayment schedule. Still Short Term Loan with repayment schedule is preferable for bankers.

RETAIL: Retail loans are approved for personal usage rather than for business purposes. It includes personal loan, home loan, auto loan and vacation loan.

Personal Loan

This type of loan is provided for the essential household durable to the fixed and stable income group like Service Holders and other eligible borrowers. Loan for house renovation, marriage loan, Car loan, loan for household tools as well as amusement products and vacation loan are governed by personal loan. The number of instalments differs from 12 to 48 months depending on the size and purpose of the loan. In Dhaka Bank Limited, the minimum amount that one can borrow under this facility is BDT 25,000 and the maximum amount is BDT 500,000. Personal loan is approved under personal guarantee of the borrower and another third person known to the borrower. There is also a processing fee of 1.5% taken at the time of disbursement or the pay out of the loan.

🌐 **Who can apply:** - Salaried Individuals

- Professionals

🌐 **Age Limit:** -Minimum Age of the Applicant: 21 Years

-Maximum Age of the Applicant: 57 Years

🌐 **Loan Size:** -Minimum loan amount : BDT 25,000.00

-Maximum loan amount : BDT 5, 00000.00

🌐 **Interest Rate:** 15.00 % -19.00 %per annum

🌐 **Other Terms & Conditions:** Minimum Gross Family Income: BDT 15,000.00

Home Loan

Home Loan is a term loan facility which is provided to purchase individuals desired home/flat. DBL

also provide home loan under following condition:

- **Who Can Apply:** -Salaried Individuals
 - Professionals
 - Business Persons
- **Age Limit:** This Loans are only available to Bangladeshi nationals:
 - Minimum age of eligibility: 21 years
 - Maximum age of eligibility: 65 years
- **Loan Size:** -Minimum: BDT 5, 00,000
 - Maximum: BDT 75, 00,000
- **Tenure:** Maximum 15 Years depending on the size and credibility.
- **Interest Rate:** Depending on the size and tenure, Dhaka Bank Home Loan interest rates vary from 12% to 13.50%
- **Security:** Registered Mortgage of the House/Apartment
- **Govt. Charges:** As per Government Specification.
- **Other Terms & Conditions:**-Minimum Gross Family Income: BDT 40,000.00

Car loan

Car loan given to individuals for purchasing customer desired car.DBL provide car loan under following situations:

- **Who can apply:** - Salaried Individuals
 - Professionals
- **Age Limit:** -Minimum Age of the Applicant: 21 Years
 - Maximum Age of the Applicant: 57 Years
- **Loan Size:** -Minimum : BDT 5, 00,000.00
 - Maximum: BDT 20, 00,000.00
- **Interest Rate:** 15.00 % per annum
- **Other Terms & Conditions:**-Minimum Gross Family Income: BDT 50,000.00
 - Loan Facility for Brand New or Re-Conditioned Vehicle, not older than 6 Years.
 - Vehicle should be for personal use only.

CORPORATE

Any loan that exceeds 1, 00, 00,000 BDT and issued for business and trade purposes is defined as corporate loan. This type of loan mainly serves the purpose of initials for the establishing of industry

or large scale factory.

Bank Guarantee

Bank Guarantee is one category of non-funded facility. It is an irreversible obligation of a bank to pay a pre-agreed amount of money to a third party on behalf of a customer of a bank. A contract of guarantee is thus secondary contract, the principal contract exists between the beneficiary / creditor and the principal / principal debtor themselves where guarantor is not a part. If the assurance or the liability in the principal contract is not fulfilled or discharged, only then the liability of guarantor or security arises.

SME (Small & Medium Enterprise) Loans

SME loan is disbursed for business purposes. The amount loaned of SME should not be exceed 1,00,00,000 BDT. The amount loaned here serves the purpose of possible (partial) working capital for small and medium business schemes.

Syndicated Loan

Syndicated loan concerns huge amount of credit and such to decrease a particular bank's stake. Financial institutions/ banks that participate in such credit are known as loan syndication. The bank mainly approached / arranging this type of credit is known as the lead and managing bank.

4.4 Credit Rating Report

Credit Rating Agency of Bangladesh Limited (CRAB) assigned 'AA3' rating in the Long Term and 'ST-2' in the Short Term to Dhaka Bank Limited on the basis of audited Financial Statements as on December 31, 2011. The summary of Rating is showed below:

| Status | 2010 | 2011 |
|------------|------|------|
| Long Term | A2 | AA3 |
| Short Term | ST-2 | ST-2 |

Commercial Banks rated 'AA3' in the Long Term are adjudged to have very strong capacity to meet their financial commitments. They differ from the highest-rated commercial Banks only to a small degree. Commercial Banks rated 'ST-2' in the Short Term are considered to have strong capacity for timely repayment. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation and access to alternative sources of funds is outstanding.

4.5 Operational Guidelines for Different Credit Facilities

In the credit facilities, there are two categories of loan which are:

- **RETAIL LOAN**
- **CORPORATE LOAN**

Credit officers have to monitor different steps to accomplish credit activities appropriately in each different loan. Each and every steps of different loan is described below:

RETAIL LOAN: Retail loan can be classified into different types which are:

1. Secured Overdraft (SO)

In case of new loan:

1. Receiving client application
2. Getting the instrument (FDR, DPS) duly cleared by the client
3. Proof of the Instrument, signature confirmation & lien marking from General Banking Division
4. Preparation of Office note
5. Preparation of sanction advice & get it acknowledged by the customer
6. Getting charge documents from the clients
7. Mail limit application form to Credit Admin, Head Office for limit insertion
8. Deduct all charges
9. Stamping the charge documents
10. Record of security documents in the SISO register

11. Safety of security documents in the Safety Vault.

In case of Renewal:

1. Receiving client Application
2. Preparation of Office Note
3. Preparation of sanction advice & get it acknowledged by the client
4. Getting charge documents from the clients
5. Mail limit application form to Credit Admin, Head Office for limit insertion
6. Record of security documents in the SISO register
7. Safety of security documents in the Safety Vault.

In case of Enhancement:

1. Receiving client Application
2. Getting new instrument (FDR, DPS) duly cleared by the client
3. Proof of the Instrument, signature confirmation & lien marking from General Banking Division
4. Preparation of Office Note
5. Preparation of Sanction Advice & get it acknowledged by the client
6. Getting charge documents from the clients
7. Mail limit application form to Credit Admin, Head Office for limit insertion
8. Deduct charges
9. Stamping the charge documents
10. Record of security documents in the SISO register
11. Safety of security documents in the Safety Vault.

In case of Reduction:

1. Getting client Application
2. Confirm outstanding has brought down (By cash or encashment of FDR)
3. Preparation of office note
4. Preparation of sanction advice & get it acknowledged by the client
5. Mail limit application form to Credit Admin, Head Office for limit reduction
6. Return of Original Instrument

7. Record the release of instrument in the SISO register (Take client's signature on theregister)

In case of closing the Account:

1. Getting customer Application with cheque book (if issued)
2. Confirm adjustment of outstanding liability (By cash or encashment of FDR)
3. Mail limit cancellation application form to Credit Admin, Head Office
4. Close the account
5. Return of Original Instrument
6. Record the release of instrument in the SISO register (Take client's signature on theregister)

And Follow-up:

1. Issue letters to the customers for renewal before one month of the expiry date.
2. Call the customers for renewal at least one week before the expiry date.
3. Issue letters to the customers for payment of Interest/EOL within one week of eachquarter end.
4. Call the customers for payment of Interest/EOL on regular basis.
5. Consistent update of the spread in line with the change of FDR interest rate
6. Regular follow up of the EOL SOD Accounts so that outstanding does not exceed thesecurity (encashment) value.
7. Regular follow up of the Expired SOD Accounts so that it does not become classified.

2. Personal Loan

Application & Disbursement:

1. Receiving customer Application in prescribed form along with required documents &Application fee.
2. Receiving CIB Undertaking for the Applicant & Guarantor along with fee
3. Scrutinize the Application Form & attached documents carefully
4. Forward the Application Form & CIB Undertaking to Head Office (if found in order and you are satisfied)

5. Follow-up the progress of the file in Retail Banking Division
6. Preparation of sanction advice & get it accepted by the client after getting approval from Head Office
7. Getting signature on the charge documents from the client
8. Get 3 unfilled Cheques from the client
9. Ensure deposit of charges by the client in the link account
10. Getting Disburse the Loan by transferring the amount to client's Savings Account after completion of documentation as per H.O. approval
11. Stamping the charge documents
12. Record of Security Documents in the SISO Register
13. Safety of Security Documents in the Safety Vault.

Follow-up:

1. After disbursement, make sure regular payment of monthly instalment by the clients
2. Prepare the overdue list in the first working day of every month
3. Call all the defaulting borrowers for recovery of overdue instalments during the month
4. Call the Guarantors if the client is unreachable over phone or if the client breach commitment of payment several times.
5. Issue 1st reminder letter to client if 1 instalment due
6. Issue 2nd reminder letter to client if 2 instalment due
7. Issue 3rd reminder letter to client & guarantor if instalment due and forward the shadow file to Monitoring Unit, Head Office
8. Visit client's house if above procedure does not work,

3. Car Loan

Application & Disbursement:

1. Receiving client Application in prescribed form along with necessary documents & Application fee.
2. Getting CIB Undertaking for the Applicant & Guarantor along with fee
3. Examine the Application Form & attached documents carefully
4. Forward the Application Form & CIB Undertaking to Head Office when it is found in order and loan officers are satisfied)

5. Follow-up the progress of the file in Retail Banking Division
6. Preparation of Sanction Advice & get it acknowledged by the client after getting approval from Head Office
7. Getting signature on the charge documents from the client
8. Getting 3 unfilled Cheques from the client
9. Issue purchase order in favour of the Car Vendor with other related documents
10. Acquire all necessary Car Documents like copy of Registration & Insurance cover note, Original Delivery Challan, Bill, Money Receipt, and Insurance Policy) and cross match those with the sanction & Quotation
11. Physically verify the vehicle to examine Reg. No., Engine No. & Chasis No.
12. Confirm deposit of charges by the client in the link account
13. Disburse the Loan vide Pay Order favouring Car Vendor after completion of documentation as per H.O. approval
14. Stamping the charge documents
15. Record of Security Documents in the SISO Register
16. Safety of Security Documents in the Safety Vault.

Follow-up: Same as Personal Loan

4. Home Loan

Application & Disbursement:

1. Receiving client Application in recommended form along with necessary documents & application fee.
2. Accept CIB Undertaking for the Applicant & Guarantor along with fee
3. Examine the application Form & attached documents carefully
4. Visit the property to physically authenticate the possession & ownership and also acquire valuation report by the assessor
5. Forward the application Form & CIB Undertaking to Head Office when found in order and loan officer is satisfied)
6. Follow-up the progress of the file in Retail Banking Division
7. Preparation of Sanction Advice & get it acknowledged by the client after getting approval from Head Office

8. Acquire all land related documents from the client and get it verified by the lawyer for examining the documents
9. Acquire signature on the charge documents from the client
10. Acquire 3 unfilled Cheques from the client
11. Perform Tripartite Agreement as per Lawyer's draft
12. Complete all other documentation procedures as per H.O. approval and physically verify
13. Confirm deposit of all charges by the client in the link account
14. Disburse the Loan vide Pay Order favouring Car Vendor after completion of documentation as per H.O. sanction
15. Stamping the charge documents
16. Record of Security Documents in the SISO Register
17. Safety of security documents in the Safety Vault.

Documentation:

1. Acquire Charge Documents, Cheques, Tripartite Documents & Land related documents before disbursement,
2. Follow-up regularly whether registration procedures has been completed or not
3. Getting Title Deed, DCR, Mutation, Rent Receipt, DCC Holding Tax Receipt after completion of registration of the Flat
4. Acquire RAJUK's NOC for Mortgage if RAJUK's property
5. Acquire Draft of Mortgage Deed from lawyer
6. Complete Mortgage procedures in the concerned Sub-Registry office
7. Getting Certified Copy of Mortgage Deed
8. Record of Security Documents in the SISO Register
9. Safety of Security Documents in the Safety Vault.

Follow-up: Same as Personal Loan

CORPORATE LOAN: Corporate loan can be categorized into two types which are as follows-

1. Bank Guarantee

Case to Case:

1. Getting customer Application
2. Getting the Instrument (FDR) duly cleared by the client when margin given by FDR
3. Proof of the Instrument, signature confirmation & lien marking from General Banking Division when if margin given by FDR
4. Preparation of Office Note
5. Preparation of Sanction Advice & get it acknowledged by the client
6. Acquire charge documents from the clients
7. Draft the Bank Guarantee as per format & Print it.
8. Pass issuance record in the system by taking required margin & deduct charges
9. Stamping the charge documents
10. Record of Security Documents in the SISO Register
11. Safety of Security Documents in the Safety Vault.

Limit Clients:

1. Getting customer Application
2. Draft the Bank Guarantee as per format & Print it.
3. Pass issuance record in the system by taking required margin & deduct charges

Amendments:

1. Receiving client Application
2. Draft the amendment letter & Print it.
3. Pass amendment record in the system (deduct charges)

Reverse:

- a) Getting customer application along with Original Bank Guarantee
- b) Pass reversal/closing record in the system (refund the margin)

Follow-up:

1. After Expiry of the BG immediately notify the client to return the BG or extend time
2. If the client does not come forward within 1 week, issue 1st reminder letter to the beneficiary of BG providing 15 days' time

3. If the beneficiary does not return the BG within 15 days, issue 2nd reminder letter to the beneficiary of BG giving 15 days' time
4. If the beneficiary does not return the BG within 15 days, issue 3rd & final reminder letter to the beneficiary of BG giving 15 days' time
5. If the beneficiary does not return the BG within 15 days, reverse the BG without the original one.

2. SME

In case of New Proposal:

1. Getting customer Application along with required documents
2. Getting CIB Undertaking for the Applicant & owners along with fee
3. Forward the CIB Undertaking to Head Office
4. Examine the attached documents carefully
5. Visit client's business places (office, factory, godown etc.) and proposed mortgage property & prepares visit report
6. Valuation of proposed mortgage property by enlisted surveyors
7. Prepare & forward the Proposal to Head Office when lone officers are satisfied
8. Follow-up the progress of the file in SME Unit
9. Preparation of Sanction Advice & get it acknowledged by the client after getting approval from Head Office
10. Acquire land related documents from the client and forward to Lawyer for vetting
11. If the documents are in order to get the draft of Mortgage Deed & other security documents (as per sanction) from the lawyer
12. Complete the Mortgage procedures in the concerned Sub-Registry office
13. File charge with RJSC (if limited company)
14. Acquire Notarized IGPA to sell Hypothecated Stock & Machinery (where applicable)
15. Acquire signature on the charge documents from the client
16. Acquire undated Cheques from the clients as per sanction
17. Acquire Insurance Policy from the clients as per sanction
18. Acquire Undertaking in 150 Taka stamp paper as per sanction
19. Collect certified copy of Mortgage Deed
20. Stamping the charge documents

21. Record of Security Documents in the SISO Register
22. Insert Signboard on the mortgage property/factory and preserve a photograph of that in the file
23. Send all the Documents to lawyer for obtaining Letter of Satisfaction
24. Safety of Security Documents in the Safety Vault.
25. Send Compliance Certificate to Credit Admin, Head Office with copy of LS
26. Mail limit application form to Credit Admin, Head Office for limit insertion/Disbursement

In case of Renewal & Enhancement:

1. Receiving client Application along with necessary documents (Stock Report, Renewed Trade License)
2. Receiving CIB Undertaking for the Applicant & owners along with fee
3. Forward the CIB Undertaking to Head Office
4. Examine the attached documents carefully
5. Visit client's business places like office, factory, godown etc. and proposed mortgage property & prepares visit report
6. Prepare & forward the Proposal to Head Office along with security compliance certificate & LS
7. Follow-up the progress of the file in SME Unit
8. Preparation of Sanction Advice & get it acknowledged by the client after getting approval from Head Office
9. Getting signature on the fresh set of charge documents from the client
10. Acquire Insurance Policy (renewal) from the clients as per sanction
11. Stamping the charge documents
12. Record of Security Documents in the SISO Register
13. Safety of Security Documents in the Safety Vault.
14. Send Compliance Certificate to Credit Admin, Head Office
15. Mail limit request form to Credit Admin, Head Office for limit insertion/Disbursement

Follow-up:

1. Issue Letters to the clients for renewal before one month of the expiry date.
2. Issue Letters to the clients for payment of Interest/EOL within one week of each quarter

end.

3. Call the clients for payment of Interest/EOL on regular basis.
4. Consistent visit of the clients as per sanction letter prescribed frequency
5. Collect Stock Report on regular basis from the clients as per sanction letter prescribed frequency
6. Collect yearly financials from the clients
7. Consistent follow up of the Expired OD Accounts & Term Loans/Leases with overdue instalments so that it does not become classified.

4.6 Interest Rates for Lending

There are remaining different interest rates for various kinds of lending which are shown in a table:

| Categories of Lending | Interest Rates |
|--|--|
| Agriculture | 07.00% p.a (Fixed) |
| Industrial Term Loan <ul style="list-style-type: none"> ○ Large and medium scale industry ○ Small scale industry | 13.25%p.a 14.00%p.a |
| Working capital <ul style="list-style-type: none"> Type 1 <ul style="list-style-type: none"> ○ Pharmaceuticals ○ Textile ○ Garments ○ Chemical ○ Financial intuitions Type 2 <ul style="list-style-type: none"> ○ Transport and communication ○ Electronics and allied ○ Automobiles ○ Construction ○ Ship breaking/ steel engineering ○ Industrial raw materials ○ Others | 13.50%p.a 13.00%p.a 13.00%p.a 13.00%p.a 13.50%p.a 14.50%p.a 13.50%p.a 14.00%p.a 15.00%p.a 14.00%p.a 13.50%p.a 14.00%p.a |
| Other commercial Lending <ul style="list-style-type: none"> ○ Trading ○ Others | 15.00%p.a 13.50%p.a |
| Energy/power | 14.00%p.a |
| Telecom | 14.00%p.a |

| | |
|--|----------------|
| Urban housing | |
| ○ Residential | 14.50%p.a |
| ○ Commercial | 15.00%p.a |
| Special program | |
| ○ small and cottage industries | 14.00%p.a |
| ○ other special program | 14.00%p.a |
| SME | 16.50%p.a |
| Secured against FDR | |
| In case of FDR of DBL, rates is higher (2.5%—3.00%) than other banks. | 14.50%p.a |
| Loan against DPS | 14.50%p.a |
| Commercial Bill Discount/Purchase | 14.50%p.a |
| Lease against DPS | 15.50%p.a |
| Consumer loan | 12-15%p.a |
| Credit card | 2.50%per month |
| Share margin Account | 16.00%p.a |

Chart: Interest Rates for Different Categories of Lending

4.7 Securities against Advances

DBL accepts different types of securities against different types of credit facilities. Some of them are showed follows:

| Types of Credit | Securities |
|--|--|
| House building loan | Primary securities: mortgage of the land or any property |
| Transport loan | Primary securities: joint registration and comprehensive insurance policy. Two valuable guarantors. Collateral securities: mortgage of land or any property. Any type financial obligation. |
| Auto loan | Primary securities: joint registration and comprehensive insurance policy. Two valuable guarantors and post-dated cheques. |
| Any purpose loan | Primary securities: two valuable guarantors and post-dated cheques. |
| Payments against documents(PAD) | Pledge or hypothecation of stock-in trade, goods, produce and merchandise, machineries, land or building on which machineries are installed. |
| Loan against imported merchandise | Pledge of imported merchandise |
| Loan against trust receipt Trust receipt | in lieu of import document |
| Local bills purchased | Bill itself |
| Foreign bill purchased | Shipping documents for exports |
| Overdraft | Primary securities: hypothecation of book depth Collateral securities: mortgage of landed property and IPA. |

| | |
|-------------------|---|
| Secured overdraft | Primary securities: Lien on any types of financial obligation. |
| Cash credit | Primary securities: Hypothecation of stock of goods in trade duly insured produce merchandise. Collateral securities: Mortgage of land and building, any financial obligation. |

Chart: Securities against Advances

4.8 Overall Procedure for Sanctioning Loan

The following system need to be followed for giving advances to the customer. These are:

1. Party's application
2. Filling form-A
3. Collecting CIB report from Bangladesh Bank
4. Processing loan proposal
5. Project appraisal
6. Head office approval
7. Sanction letter
8. Documentation
9. Disbursement

A. Party's application

At first borrower had to submit an application to the respective branch for loan, where he/she hasto clearly specify the reason for loan. After receiving the application form the borrower Bank officer verifies all the information carefully. He also checks the account maintains by the borrower with the Bank. If the official becomes satisfied then he gives form-A (prescribed application form of Bank) to the prospective borrower.

B. Filling Form -A

After satisfying with party's application the applicant need to fill Form-A. It is the prescribed form provides by the respective branch that contains information of the borrower. It contains-

Name with its factory location, Official address and telephone number, details of past and present business, its achievement and failures, type of loan needed etc.

C. Collecting CIB Report from Bangladesh Bank

After receiving the application for advance, Dhaka Bank sends a letter to Bangladesh Bank for obtaining a report from there. This report is called CIB (Credit Information Bureau) report. Dhaka Bank generally seeks this report from the head office for all kinds of investment. The purpose of this report is to being informed that whether the borrower has taken loan from any other Bank; if 'yes' then whether the party has any overdue amount or not.

D. Processing loan Proposal

After receiving CIB report from Bangladesh Bank, then respective branch prepare an Investment proposal, which contains terms and conditions of Investment for approval of Head Office. Documents those are necessary for sending Investment proposal are:

Necessary Documents

While advancing money, banks create a lot of documents, which are required to be signed by the borrowers before the disbursement of the loan. Of them some are technically called charge documents. Necessary steps and documents:

1. Loan application form duly signed by the customer.
2. Acceptance of the term and conditions of sanction advice.
3. Trade license.
4. In Case Of Partnership Firm, copy of registered partnership deed duly certified as true copy or a partnership deed on non-judicial stamp of taka-150 denomination duly notarized.
5. In Case Of Limited Company
 - a) Copy of memorandum and articles of association of the company including certificate of incorporation duly certified by Registered Joint Stock Companies(RJSC) and attested by the managing director and accompanied by an up-to-date
 - b) List of directors.

- c) Copy of board resolution of the company for availing credit facilities and authorizing managing director/chairman/director for execution of documents and operation of the accounts.
- d) An undertaking not to change the management of the company and memorandum and article of the company without prior permission
- e) Copy of last audited financial statement up to last 3 years.
- f) Personal guarantee of the directors including the chairman and managing director.
- g) Certificate of registration of charges over the fixed and floating assets of the company duly issued by RJSC.
- h) Certificate of registration of amendment of charges over the fixed and floating assets of the company duly issued by RJSC in case of repeat loan or change terms and conditions of sanction advice regarding loan amount and securities etc.

6. Demand promissory notes.

7. Letter of hypothecation of stocks and goods.

8. Letter of hypothecation of books debts and receivable.

9. Letter of hypothecation of plant and machinery.

10. Personal letter of guarantee.

E. Project Appraisal

It is the pre-investment analysis. Project appraisal in the Banking sector is important for the following reasons:

- To achieve organizational goals
- To recommend if the project is not designed properly
- To justify the soundness of an investment
- To ensure repayment of Bank finance

Techniques of Project Appraisal

An appraisal is a systematic exercise to establish that the proposed project is a viable proposition. Appraising officer checks the various information submitted by the promoter in first information sheet, application for Investment and Investment proposal.

The Head Office (HO) mainly checks the technical, commercial and financial viability of the project. For others, HO is dependent on branch's information. But when the investment size is big, then the HO verifies the authenticity of information physically.

F. Head Office Approval

When Head office receive appraisal from the branch then, Head Office again appraises the project. If it seems to be a viable one, the HO sends it to the Board of Directors for the approval of the Investment. The Board of Directors (BOD) considers the proposal and takes decision whether to approve the Investment or not. If the BOD approves the investment, the HO sends the approval to the concerned branch. The respective officer of Head Office appraises the project by preparing a summary named "Top Sheet" or "Executive Summary" and then he sends it to the Head Office Credit Division for the approval of the Loan. The Head Office Credit Division considers the proposal and takes decision whether to approve the Investment or not. If the committee approves the investment; the HO sends the approval to the concerned branch.

G. Sanction Letter

After getting the approval of the HO the branch issues sanction letter to the borrower. A sanction letter contains:

- Name of borrower,
- Facility allowed,
- Purpose,
- Rate of interest,
- Period of the Investment and mode of adjustment,
- Security and Other terms and condition.

H. Documentation

If the borrower accepts the sanction letter, the Documentation starts. Documentation is a written statement of fact evidencing certain transactions covering the legal aspects duly signed by the authorized persons having the legal status. The most common documents used by the Dhaka Bank for sanctioning different kinds of Investment are:

- Joint Promissory Note,
- Letter of Arrangement,
- Letter of Disbursement,
- Letter of Instalment,
- Letter of Continuity,
- Trust Receipt,
- Counter Guarantee,
- Stock Report,
- Letter of Lien,
- Status Report,
- Letter of Hypothecation,
- Letter of Guarantee
- Documents Relating to Mortgage.

I. Disbursement

After sanction and completion of all formalities the respective officer disburses the loan. The officer writes cheque and provides it to the borrower. For this borrower has to open an account through which he/she can withdraw the money.

Strategies to Recovery: Recovery of loan can be made in the following three methods:

- 1) Persuasive Recovery:** The first step in recovery procedure is private communication that creates a mental pressure on borrower to repay the loan. In this situation bank can provide some advice to the borrower for repaying the loan.
- 2) Voluntarily:** In this method, some steps are followed for recovering loan. These are:
 - a. Building Task Force
 - b. Arranging Seminar
 - c. Loan Rescheduling Policy
 - d. Waiver of Interest Rate
- 3) Legal Recovery:** When all steps fail to keep an account regular and the borrower does not pay the instalments and interests then the bank take necessary legal steps against the borrower for realization of its dues. In this case “ArthaRinAdalat Law 2003” plays an important role

for collecting the loan.

4.9 Credit Administration

The administration function is critical in ensuring that proper documentation and approvals are in place prior to the disbursement of loan facilities. For this reason it is essential that the function credit administration be strictly segregated from relationship management/marketing in order the possibility of controls being compromised of issues not being highlighted at the appropriate level.

4.10 Credit Monitoring

To minimize credit losses, monitoring procedures and systems shall be in place that provides an early indication of the deteriorating financial health of a borrower. At a minimum, systems shall be in place to report the following exceptions to relevant executives in CRM and RM team:

- Past due principal or interest payments, past due trade bills, account excesses, and breach of loan covenants.
- Loan terms and conditions are monitored, financial statements are received on regular basis, and any covenant breaches or exceptions are referred to CRG and the RM team for timely follow-up.
- Timely corrective action is taken to address finding of internal, external or regulator inspection/audit.
- All borrower relationships/loan facilities are reviewed and approved through the submission of a credit proposal at least annually.

Chapter- 05:

PROJECT ANALYSIS

AND FINDINGS

5 SWOT Analysis

Through direct observation and discussion with the DBL officials I am able to point out some main strength and weaknesses as well as some threats and opportunities regarding the various issues of the Bank such as –

- Organizational identity
- Service level
- Operational efficiency
- Technology
- Employee efficiency etc. along with many other issues.

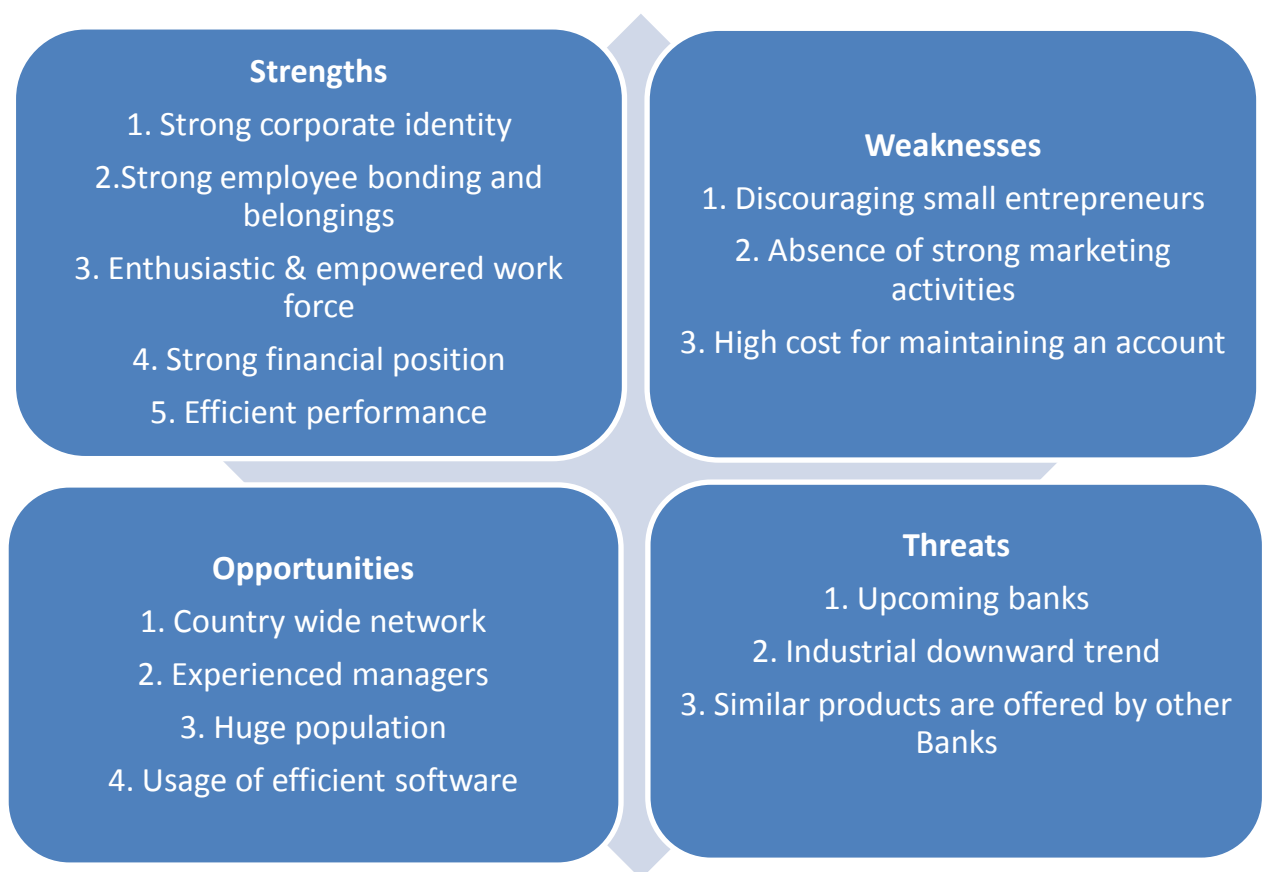


Chart: SWOT Analysis of DBL

Strengths

DBL is one of the leading providers of financial services. With its strong corporate image and distinctiveness, it has better positioned itself in the minds of customers. The employees of DBL have a strong sense of obligation towards organization and also feel proud and a sense of belonging towards DBL. They are very enthusiastic as well as self-motivated towards their responsibilities. They have strong capital position in the bank sector. Another positive thing is that net profit is gradually increasing over the years.

Weaknesses

DBL provides loan to most of its solvent clients. But they usually do not want to finance small entrepreneurs whose economic standing is not clear to them. DBL currently don't have any strong marketing activities through mass media like Television, Radio. The account maintenance cost for DBL is quite high. In the long run, this might turn out to be a negative issue for DBL.

Opportunities

To satisfy the needs of the huge population of Bangladesh, DBL has great opportunity to grab the client by providing superior services and facilities. Moreover, DBL has employed skilled managers to facilitate its operation. There is certain software which enables customers to deposit and withdraw money from any bank with the cheque or deposit of any other bank. So it is an opportunity for DBL as the number of transactions would considerably increase.

Threats

Competition is increasing in banking sectors. The upcoming private, local, & multinational banks is creating serious threats to the existing banking network of DBL. Now-a-days different foreign and private banks are also offering similar type of products with an almost similar profit margin like DBL. Besides this industrial downturn trend has seen due to unemployment, inflation which can cause threats to the banking sector.

5.1 Financial Data Analysis

From previous 5 year annual report I have studied some important data which is related to credit activities of Dhaka Bank Limited. Those things are showed below.

Year wise Deposit

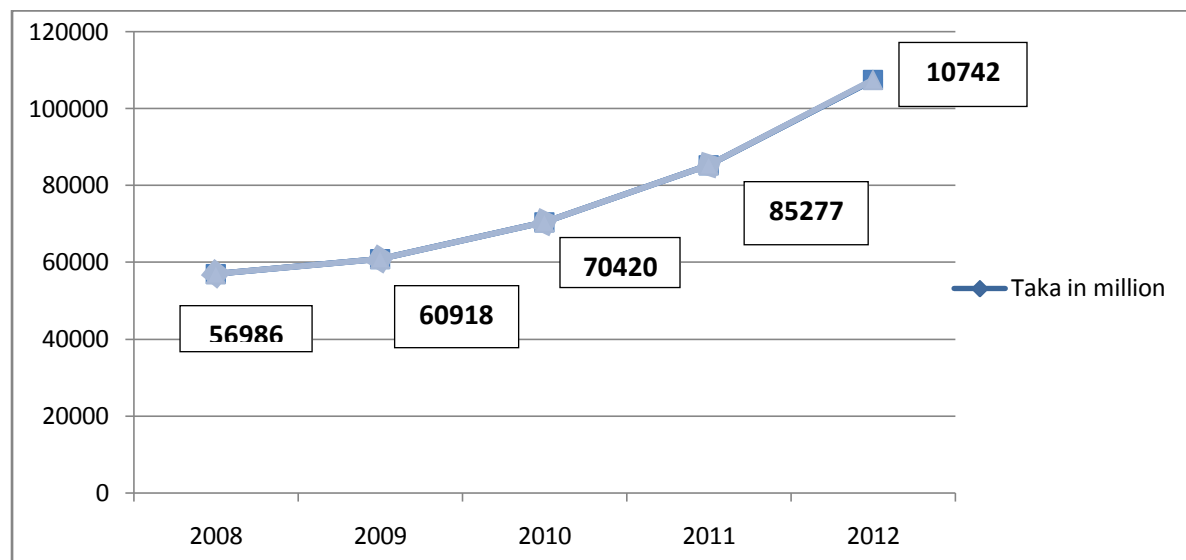


Figure: Year wise total Deposits (Base & Bank excluding Call)

Sources: Annual Report 2013

The graph shows that Dhaka Bank Limited is increasing their deposit in every year. The total deposit in 2008 was 56986 but now it is 10742. The growth rate has increased to 26% which showed a positive opinion towards DBL.

Year wise Loans & Advances

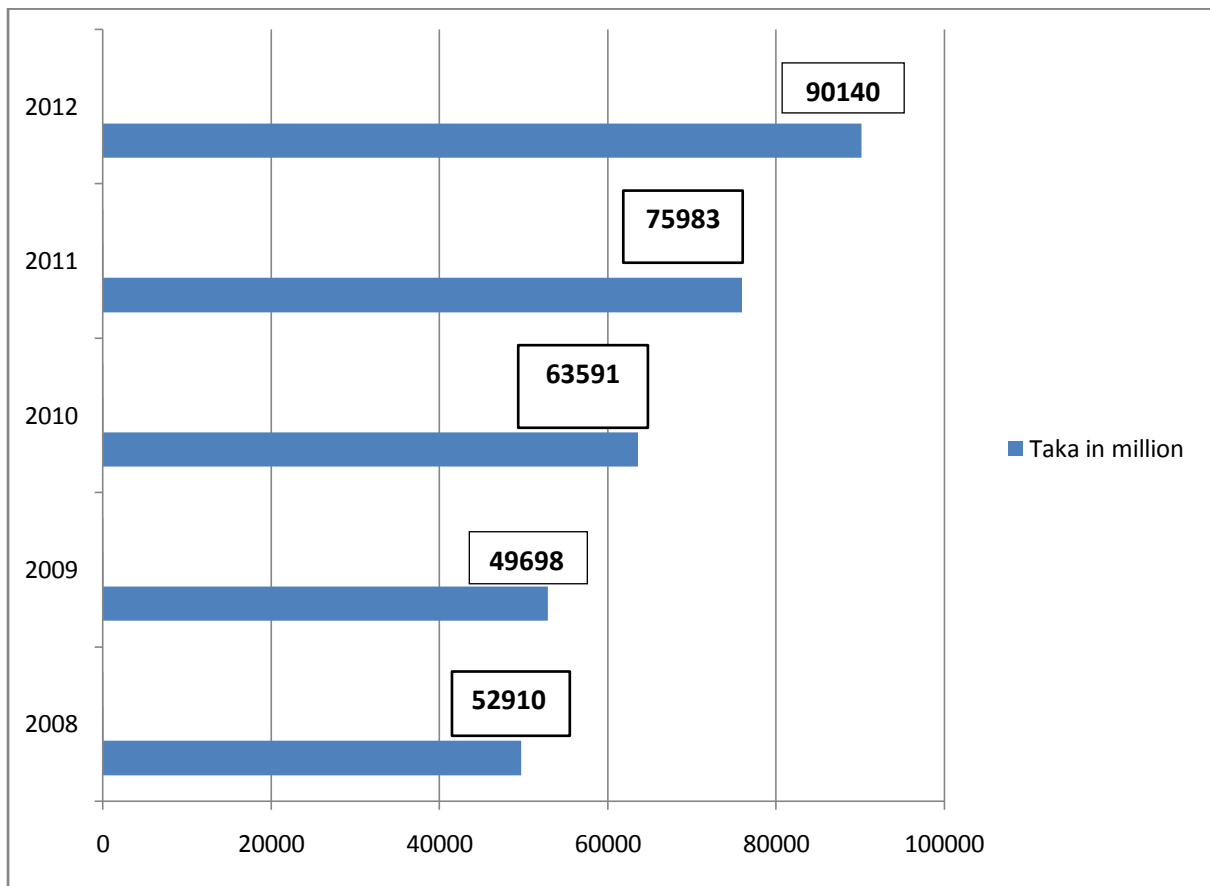
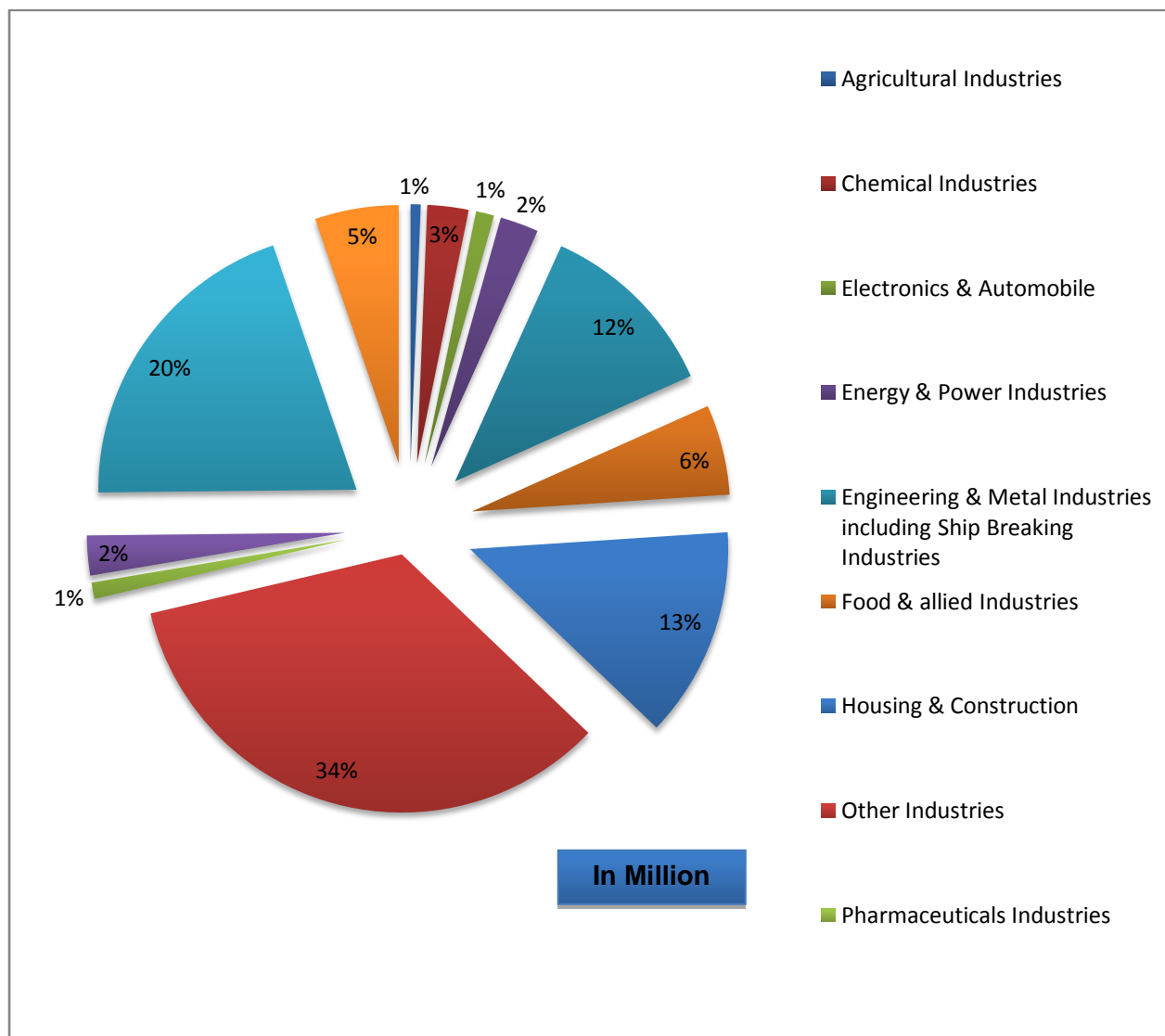


Figure: Year wise total loans & advances

Sources: Annual Report 2013

Here the graph shows that DBL is increasing their total loan and advances. 5 years before it was 49698 in 2008 but in 2012 it increased to 90140 and growth rate is 19% which indicates that DBL is providing flexible loan and advance.

Sector wise Distribution of Loan and advances



From the figure it can easily be said that Dhaka Bank Limited provides more loan in industry sector provided 34% of total loan and provides housing & construction 20%. 13% of loan is provided to engineering and metal industries including ship breaking industries. But in agricultural sector, they discourage to sanction loan because they think this sector is risky, 1%.

Credit to deposit Ratio Analysis

Credit deposit ratio processes the portion of deposit used for credit. The more the ratio is, the more the bank is capable to uses its deposit as credit.

To calculate credit deposit ratio, $\text{Credit to deposit ratio} = \frac{\text{Total Credit}}{\text{Total Deposit}}$

| Year | Credit/deposit Ratio (%) | Growth (In Million) |
|------|--------------------------|---------------------|
| 2008 | 87.21 | - |
| 2009 | 86.85 | .36 |
| 2010 | 90.30 | -3.45 |
| 2011 | 89.10 | 1.2 |
| 2012 | 83.91 | 6 |

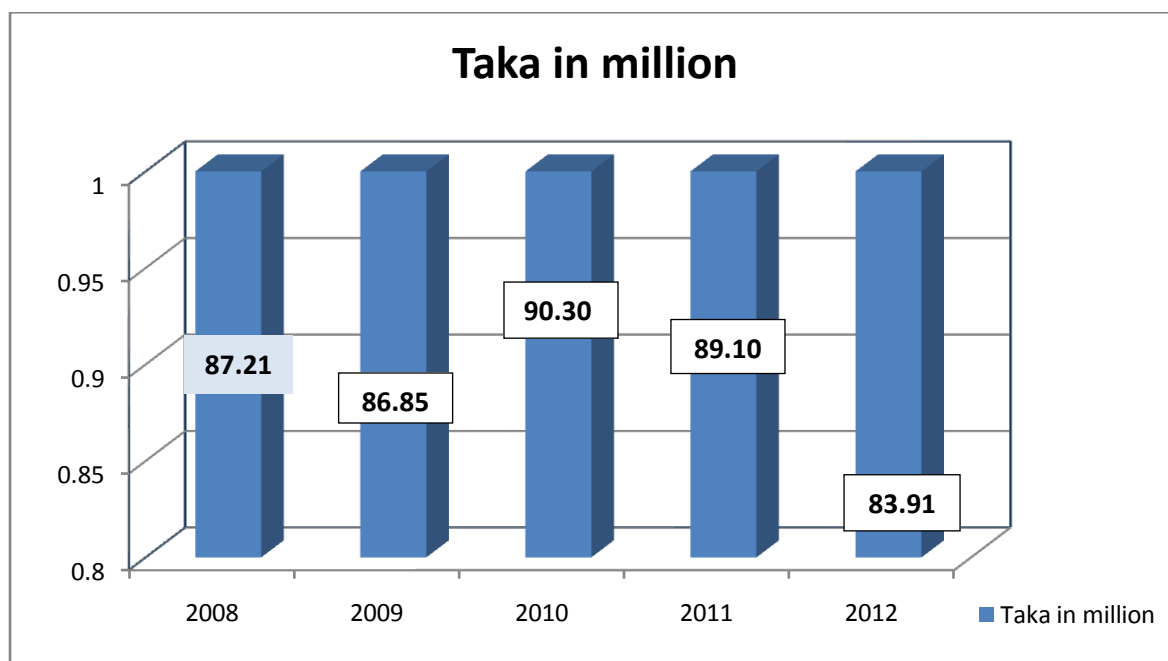


Figure: Credit to deposit Ratio Analysis

Source: Annual Report

The figure shows that the collection of deposit is increasing year by year that forms into loans & advances, increasing year by year consequently. Credit deposit ratio has increased.

significantly which is positive sign that the bank is effectively utilizing its deposit collected from the people by the lowest interest rate into in the form of loan and advances which is main source of Bank's income.

Non-performing loan Analysis

The total volume of non-performing loan is Tk.5,656,314,316 as of 31.12.2012. So the amount of non-performing loan is presented below:

| Year | Amount of Non-Performing Loan |
|------|-------------------------------|
| 2008 | 1,908 |
| 2009 | 2,946 |
| 2010 | 2,909 |
| 2011 | 2,624 |
| 2012 | 5,656 |

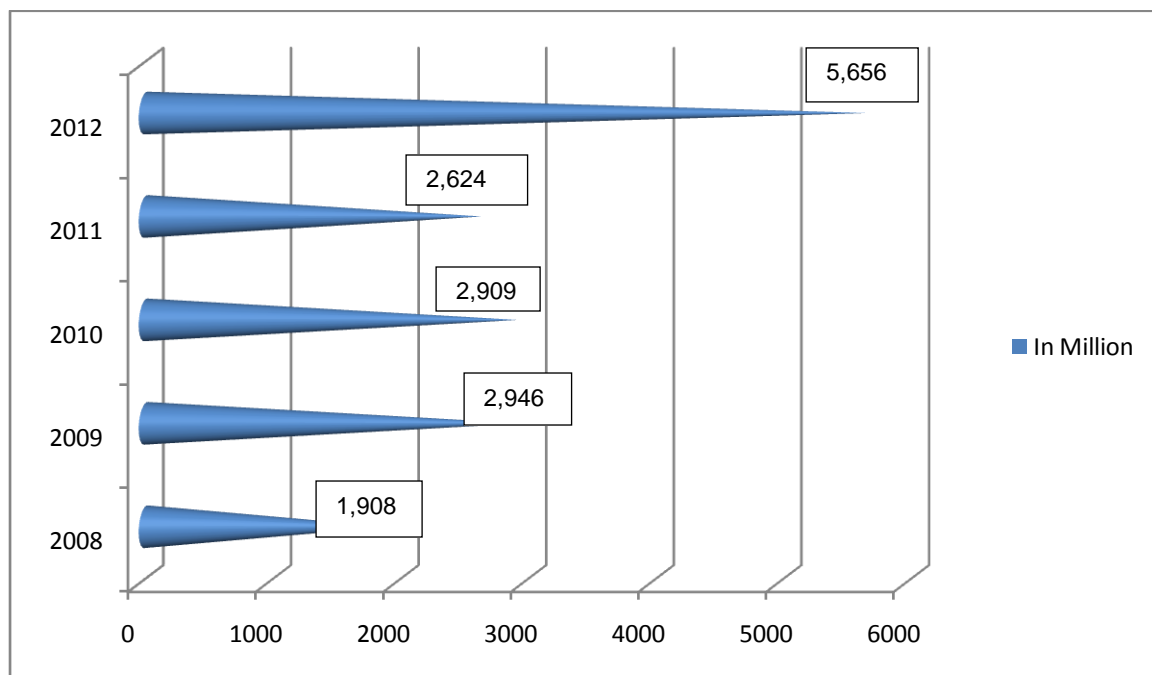


Figure: Non-performing loan of Dhaka Bank against total loans & advances

From we can see that non-performing loan of Dhaka Bank Limited increases every year except the year 2011. In 2008 non-performing loan was 1,908 and in 2009 it stood on 2,946 because a large portion of loan was provided to Alam traders went default as they were fraud. But in 2010 they became alert and try to develop their position regarding this difficulty.

Credit Risk Grading Score Sheet

Dhaka Bank Limited uses a grading score sheet to calculate the risk of providing loans to the client. It shows actual risk by calculating five criteria. After analysing and evaluating total score, loan officer confirms that the client or borrower can be approved to have a loan.

| Financial Risk (50%) | Business/ Industry Risk (18%) | Management Risk (12%) | Security Risk (10%) | Relationship Risk (10%) |
|-----------------------------|--------------------------------------|------------------------------|---|--|
| Leverage (15%) | Size of business | Experience | Security Coverage | Account Conduct |
| Liquidity (15%) | Age of Business | Second Line/ Succession | Collateral Coverage (Property Location) | Utilization of Limit (Actual/Projection) |
| Profitability (15%) | Business Outlook | Team Work | Support (Guarantee) | Compliance of Covenants/ Conditions |
| Coverage (5%) | Industry Growth | Total Score | Total Score | Personal Deposits |
| Total Score | Market Competition | - | - | Total Score |
| - | Entry/Exit barriers | - | - | - |
| - | Total Score | - | - | - |

Chart: Credit Risk Grading Criteria

Chapter-6

Recommendation & Conclusion

6 Recommendation

DBL is one of the well-known banks in our country. From my little knowledge it's quite hard to give recommendation to such a well-established bank. Still from my learning and observation, I think to get competitive advantages and to deliver quality service, top management should try to modify the services.

- Marketing activities should be improved to attract their potential target market. As we see that, Media coverage of DBL is not so strong.
- Time consumed at service level should be minimized at optimum level
- To attract new clients, they should go for mass media coverage like TV, Radio etc.
- DBL's both loan processing service charge and loan processing time is quite high compare to their competitors. To attract new customers as well as hold existing clients, they have to set a standard rate and make the process fast.
- Percentage of non-performing loan is increasing year by year that means their current strategy regarding recovery of loan is not working appropriately. To exist in the market successfully they have to minimize the non-performing loan amount that's why they should take effective steps regarding this.
- Maximum amount of loan is provided to the long-term industrial sectors. They intentionally ignore the agriculture sector because of riskiness and safety issues. But for the overall economic development of the country they should diversify their loans in agriculture as well as SME sectors.
- Significant percentage of revenue comes from Dhanmondi Branch considering Dhaka zone. But there is only three credit officer to handle all primary credit activities. So HRD should send some more employees on that dept.
- DBL has only 62 branches all over the country. Since day by day their demand is increasing so it is quite hard to provide full range services with those branches. So they need to put more attention toward the expansion of branch network as well as ATM Booths.

6.5 Conclusion

During the 3 months internship program at Dhanmondi Branch, almost all the desks have been observed more or less. This internship program, in fact, has been arranged for gaining knowledge of practical banking and to compare this practical knowledge with theoretical knowledge.

However, highest effort has been given to achieve the objectives in the internship programmed. During the internship, it is found that the branch provides all the conventional banking services as well as some specialized financing activities to the economy.

Dhaka Bank Limited is the preferred choice in banking for friendly and personalized services. Credit Division of Dhaka Bank has a very qualified and dedicated group of officers and staffs who are always trying to provide the best service to the clients. They always monitor the credit in different sectors and their position. Before providing the loan they analyse whether the loan will be profitable and whether the client is good enough to repay the loan within the given period of time.

Though there is competition among banks operating in Bangladesh both foreign and local, DBL has achieved satisfactory progress in areas of its operations and earned an impressive operating income over the previous years. The bank hopes to achieve a satisfactory level of progress in all areas of its operations including target of profitability. Finally, I can say that, by providing various services, Dhaka Bank Limited, Dhanmondi Branch is playing an important role in the banking system. The bank stood out for its strength and operational craftsmanship marketing its position as the potential market leader in all core areas of banking in the country.

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Annual Reports

- Dhaka Bank Bangladesh Limited 2009 - 2012

Published Document & Banking manual

- Credit Division Manual Of DBL
- Several Booklets from Dhaka Bank Limited
- Other internship reports of DBL

Appendix 1:

5-year Financial Highlights –The Bank

| | 2008 | 2009 | 2010 | 2011 | 2012 | Growth(%) |
|--|--------|--------|--------|---------|---------|-----------|
| (Data in million/where applicable) | | | | | | |
| Income Statement | | | | | | |
| Interest Income | 7,171 | 7,466 | 7,406 | 9,945 | 13,229 | 33 |
| Interest Expense | 5,214 | 5,556 | 4,944 | 7,611 | 10,598 | 39 |
| Net Interest Income | 1,958 | 1,910 | 2,461 | 2,335 | 2,630 | 13 |
| Non Interest Income | 1,929 | 2,175 | 3,095 | 3,894 | 2,713 | (30) |
| Non Interest Expense | 1,353 | 1,275 | 1,715 | 1,945 | 2,120 | 9 |
| Net Non Interest Income | 576 | 900 | 1,380 | 1,949 | 593 | (70) |
| Profit before Tax & Provision | 2,533 | 2,810 | 3,841 | 4,284 | 3,223 | (25) |
| Provision for Loans & Assets | 669 | 675 | 924 | 630 | 1,784 | 183 |
| Provision for Tax (including Deferred Tax) | 1,025 | 1,176 | 1,239 | 1,489 | 738 | (50) |
| Profit after Tax | 839 | 959 | 1,679 | 2,165 | 701 | (68) |
| Balance Sheet | | | | | | |
| Authorized Capital | 6,000 | 6,000 | 10,000 | 10,000 | 10,000 | - |
| Paid up Capital | 1,934 | 2,128 | 2,660 | 3,590 | 4,668 | 30 |
| Reserve Funds & Other Reserve | 2,065 | 2,838 | 3,920 | 5,627 | 5,016 | (11) |
| Shareholders' Equity (Capital & Reserve) | 4,000 | 4,966 | 6,580 | 9,217 | 9,683 | 5 |
| Deposits (Base & Bank excluding Call) | 56,986 | 60,918 | 70,420 | 85,277 | 107,427 | 26 |
| Loans & Advances | 49,698 | 52,910 | 63,591 | 75,983 | 90,140 | 19 |
| Investments | 7,239 | 8,660 | 8,443 | 9,576 | 18,404 | 92 |
| Fixed Assets | 387 | 424 | 977 | 1,703 | 1,879 | 10 |
| Total Assets (excluding off-balance sheet items) | 71,137 | 77,767 | 90,139 | 104,726 | 133,142 | 27 |
| Foreign Exchange Business | | | | | | |
| Import Business | 65,737 | 46,160 | 69,606 | 71,377 | 76,648 | 7 |
| Export Business | 39,038 | 33,305 | 36,924 | 46,247 | 48,928 | 6 |
| Guarantee Business | 7,887 | 6,462 | 7,416 | 9,917 | 9,591 | (3) |
| Inward Foreign Remittance | 11,834 | 9,786 | 11,097 | 13,201 | 15,840 | 20 |
| Capital Measures | | | | | | |
| Core Capital (Tier I) | 3,964 | 4,634 | 6,123 | 8,478 | 9,000 | 6 |
| Supplementary Capital (Tier II) | 844 | 1,000 | 2,839 | 3,561 | 3,606 | 2 |
| Tier I Capital Ratio | 9.77 | 9.30 | 6.89 | 7.54 | 7.67 | 2 |
| Tier II Capital Ratio | 2.08 | 2.01 | 3.20 | 3.16 | 3.07 | (3) |
| Total Capital | 4,822 | 5,800 | 9,475 | 12,399 | 12,948 | 4 |
| Total Capital Ratio | 11.84 | 11.31 | 10.09 | 10.70 | 10.74 | 0 |
| Credit Quality | | | | | | |
| Volume of Non-performing loans | 1,908 | 2,945 | 2,909 | 2,624 | 5,656 | 116 |
| % of NPLs to Total Loans & Advances | 3.84 | 5.57 | 4.57 | 3.45 | 6.28 | 82 |
| Provision for unclassified Loans | 620 | 625 | 742 | 848 | 899 | 6 |
| Provision for Classified Loans | 825 | 1,488 | 1,481 | 1,063 | 2,488 | 135 |
| Share Information | | | | | | |
| Number of Shares Outstanding | 19.34 | 21.28 | 265.96 | 359.06 | 466.76 | 30 |
| Earning per Share (Taka) | 39.42 | 36.07 | 4.68 | 4.64 | 1.50 | (68) |
| Book Value per share (Taka) | 207 | 233 | 25 | 26 | 21 | (19) |
| Market Price per share (Taka) | 361 | 484 | 76 | 45 | 25 | (45) |
| Price Earning Ratio (Times) | 9.15 | 10.72 | 12.09 | 9.70 | 16.50 | 70 |
| Price Equity Ratio (Times) | 1.74 | 2.07 | 3.08 | 1.75 | 1.20 | (32) |
| Dividend per Share: | | | | | | |
| Cash Dividend (%) | 15 | - | - | 5 | - | - |
| Bonus Share | 1:10 | 1:4 | 7:20 | 3:10 | 1.6:10 | - |

Shareholders' Information

5-year Progression

continued

5-year Financial Highlights –The Bank

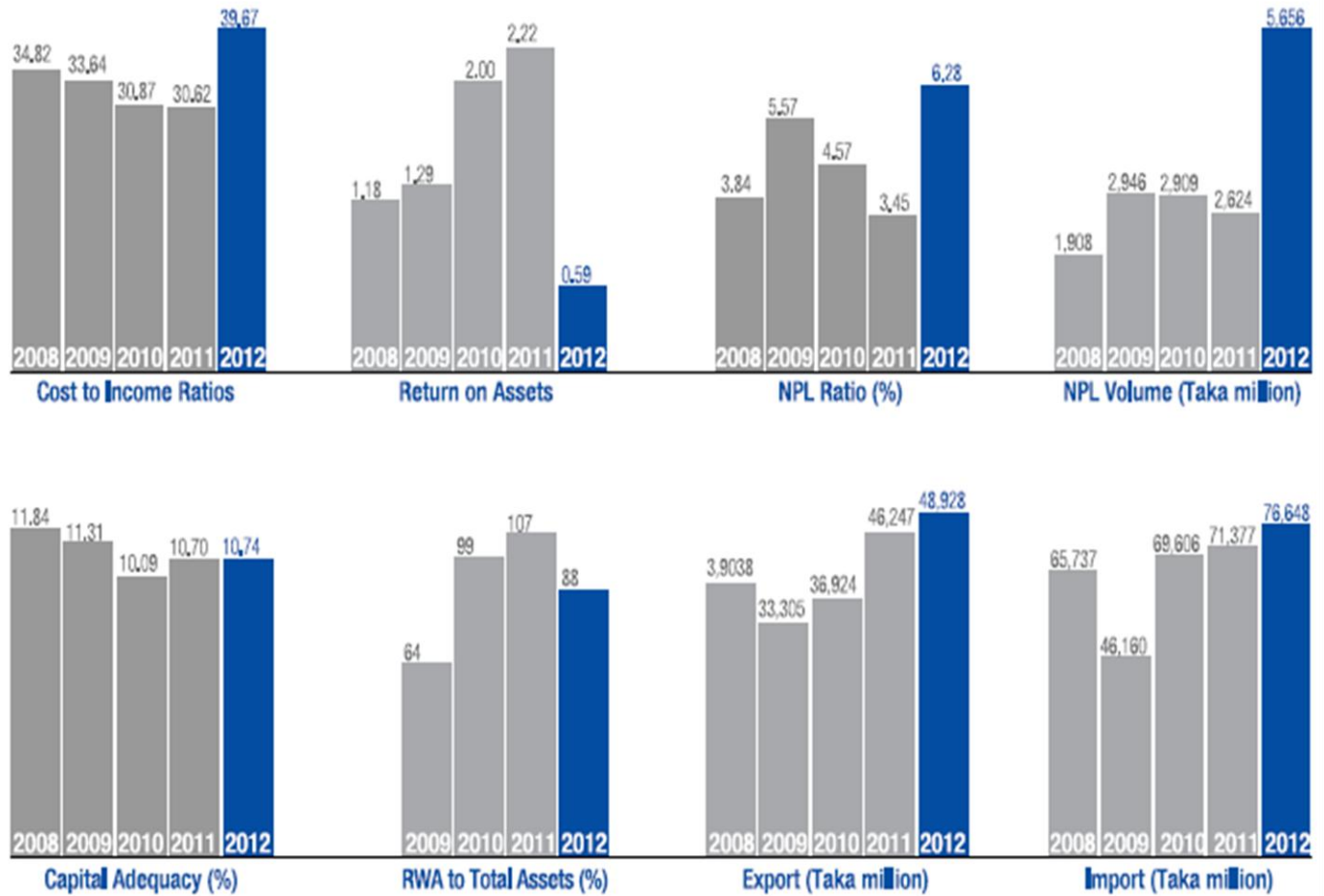
| | 2008 | 2009 | 2010 | 2011 | 2012 | Growth(%) |
|--|-------|--------|--------|--------|--------|-----------|
| (Taka in million where applicable) | | | | | | |
| Operating Performance Ratio | | | | | | |
| Net Interest Margin | 4.60 | 4.56 | 5.24 | 4.30 | 4.10 | (5) |
| Credit / Deposit Ratio (%) | 87.21 | 86.85 | 90.30 | 89.10 | 83.91 | (6) |
| Current Ratio (Times) | 1.28 | 2.10 | 1.97 | 2.09 | 2.57 | 23 |
| Return on Equity (ROE) % | 20.97 | 19.32 | 25.52 | 23.49 | 7.24 | (69) |
| Return on Assets (ROA) % | 1.18 | 1.29 | 2.00 | 2.22 | 0.59 | (73) |
| Cost of Deposit (%) | 9.40 | 8.68 | 7.06 | 9.33 | 10.63 | 14 |
| Cost to Income ratio (%) | 34.82 | 33.64 | 30.87 | 30.62 | 39.67 | 30 |
| Operating Profit Per Employee | 2.82 | 3.04 | 3.46 | 3.48 | 2.22 | (36) |
| Operating Profit Per Branch | 56.30 | 56.21 | 68.60 | 70.84 | 45.40 | (36) |
| Other Information | | | | | | |
| Number of Branches | 45 | 50 | 56 | 61 | 71 | 16 |
| Number of Employees | 898 | 924 | 1,109 | 1,240 | 1,455 | 17 |
| Number of Shareholders | 8,198 | 10,530 | 43,256 | 45,438 | 44,445 | (2) |
| Number of Foreign Correspondents/Banks | 350 | 350 | 411 | 423 | 425 | 0 |

Portfolio distribution by Industry/Business Segments as on December 31, 2012

| Sector | Figure in Million | |
|---|-------------------|--------|
| | Amount | % |
| Agricultural Industries | 568.07 | 0.63% |
| Chemical Industries | 2,324.42 | 2.58% |
| Electronics & Automobile Industries | 1,019.46 | 1.13% |
| Energy & Power Industries | 2,170.86 | 2.41% |
| Engineering & Metal Industries including Ship Breaking Industries | 10,420.11 | 11.56% |
| Food & allied Industries | 5,092.16 | 5.65% |
| Housing & Construction Industries | 11,893.60 | 13.19% |
| Other Industries | 30,799.97 | 34.17% |
| Pharmaceuticals Industries | 915.12 | 1.02% |
| Service Industries | 2,241.70 | 2.49% |
| Textile & Garment Industries | 17,968.91 | 19.93% |
| Transport & Communication | 4,725.89 | 5.24% |

5-year Progression continued

Key Ratios- The Bank



Appendix 2 :

CREDIT RISK GRADING SCORE SHEET

| | | | |
|---------------------|--------------------|------------------|---|
| Reference No.: | | Date: | 11-May-13 |
| Borrower | | | |
| Group Name (if any) | XXXXX | Aggregate Score: | 78 |
| Branch: | DHANMONDI BRANCH | Risk Grading: | Acceptable |
| Industry/Sector | Agro-based | | |
| Date of Financials | 30/06/2012 | | |
| Completed by | ADNAAN JAMILEE | | |
| Approved by | | | |
| Number | Grading | Short | Score |
| 1 | Superior | SUP | Fully cash secured, secured by government |
| 2 | Good | GD | 85+ |
| 3 | Acceptable | ACCP | 75-84 |
| 4 | Marginal/Watchlist | MG/WL | 65-74 |
| 5 | Special Mention | SM | 55-64 |
| 6 | Substandard | SS | 45-54 |
| 7 | Doubtful | DF | 35-44 |
| 8 | Bad/Loss | BL | <35 |

| Criteria | Weight | Parameter | Score | Actual Parameter | Score Obtained |
|---|--------|---------------------------------|-----------|------------------|----------------|
| A. Financial Risk 50% | | | | | |
| 1. Leverage: (15%) | | Less than 0.25x | 15 | 0.23 | 15 |
| Debt Equity Ratio (x) - Times | | 0.26x to 0.35 x | 14 | | |
| Total Liabilities to Tangible Net worth | | 0.36x to 0.50 x | 13 | | |
| | | 0.51x to 0.75 x | 12 | | |
| All calculations should be based on annula financial statements of the borrower (audited preferred) | | 0.76x to 1.25 x | 11 | | |
| | | 1.26x to 2.00 x | 10 | | |
| | | 2.01x to 2.50 x | 8 | | |
| | | 2.51x to 2.75 x | 7 | | |
| | | More than 2.75x | 0 | | |
| 2. Liquidity: (15%) | | Greater than 2.74x | 15 | 2.51 | 14 |
| Current Ratio (x) -Times | | 2.50x to 2.74 x | 14 | | |
| Current Assets to Current Liabilities | | 2.00x to 2.49 x | 13 | | |
| | | 1.50x to 1.99 x | 12 | | |
| | | 1.10x to 1.49 x | 11 | | |
| | | 0.90x to 1.09 x | 10 | | |
| | | 0.80x to 0.89 x | 8 | | |
| | | 0.70x to 0.79 x | 7 | | |
| | | Less than 0.70x | 0 | | |
| 3. Profitability: (15%) | | Greater than 25% | 15 | 3.79% | 7 |
| Operating Profit Margin (%) | | 20% to 24% | 14 | | |
| (Operating Profit/Sales) X 100 | | 15% to 19% | 13 | | |
| | | 10% to 14% | 12 | | |
| | | 7% to 9% | 10 | | |
| | | 4% to 6% | 9 | | |
| | | 1% to 3% | 7 | | |
| | | Less than 1% | 0 | | |
| 4. Coverage: (5%) | | | | | 5 |
| Interest Coverage Ratio (x) - Times | | | | | |
| Earning before interest & tax (EBIT) | | More than 2.00x | 5 | 2.26 | |
| Interest on debt | | More than 1.51x Less than 2.00x | 4 | | |
| | | More than 1.25x Less than 1.50x | 3 | | |
| | | More than 1.00x Less than 1.24x | 2 | | |
| | | Less than 1.00x | 0 | | |
| Total Score- Financial Risk | | | 50 | | 41 |

CREDIT RISK GRADING SCORE SHEET

| | | | |
|----------------|--|-------|-----------|
| Reference No.: | | Date: | 11-May-13 |
| Borrower: | | | |

| | | | | |
|---|------------------------|-----------|------------------------|-----------|
| B. Business/ Industry Risk 18% | | | | |
| 1. Size of Business (in BDT crore) | > 60.00 | 5 | 256.00 | 5 |
| | 30.00 – 59.99 | 4 | | |
| The size of the borrower's business measured by the most recent year's total sales. Preferably audited numbers. | 10.00 – 29.99 | 3 | | |
| | 5.00 - 9.99 | 2 | | |
| | 2.50 - 4.99 | 1 | | |
| | < 2.50 | 0 | | |
| 2. Age of Business | > 10 Years | 3 | 35 | 3 |
| | > 5 - 10 Years | 2 | | |
| The number of years the borrower engaged in the primary line of business | 2 - 5 Years | 1 | | |
| | < 2 Years | 0 | | |
| 3. Business Outlook | Favorable | 3 | Stable | 2 |
| Critical assesment of medium term prospects of industry, market share and economic factors. | Stable | 2 | | |
| | Slightly Uncertain | 1 | | |
| | Cause for Concern | 0 | | |
| 4. Industry Growth | Strong (10%+) | 3 | Moderate (1%-5%) | 1 |
| | Good (>5% - 10%) | 2 | | |
| | Moderate (1%-5%) | 1 | | |
| | No Growth (<1%) | 0 | | |
| 5. Market Competition | Dominant Player | 2 | Moderately Competitive | 1 |
| | Moderately Competitive | 1 | | |
| | Highly Competitive | 0 | | |
| 6. Entry/Exit Barriers | Difficult | 2 | Difficult | 2 |
| | Average | 1 | | |
| | Easy | 0 | | |
| Total Score- Business/Industry | | 18 | | 11 |

| | | | | |
|---|-----------------------------------|-----------|---------------------------|-----------|
| C. Management Risk 12% | | | | |
| 1. Experience | More than 10 years in the related | 5 | More than 10 years in the | 5 |
| Quality of management based on total # of years of experience of the senior management in the Industry. | 5–10 years in the related line of | 3 | | |
| | 1–5 years in the related line of | 2 | | |
| | No experience | 0 | | |
| 2. Second Line/ Succession | Ready Succession | 4 | Ready Succession | 4 |
| | Succession within 1-2 years | 3 | | |
| | Succession within 2-3 years | 2 | | |
| | Succession in question | 0 | | |
| 3. Team Work | Very Good | 3 | Moderate | 2 |
| | Moderate | 2 | | |
| | Poor | 1 | | |
| | Regular Conflict | 0 | | |
| Total Score- Management Risk | | 12 | | 11 |

CREDIT RISK GRADING SCORE SHEET

| | | | |
|----------------|--|-------|-----------|
| Reference No.: | | Date: | 11-May-13 |
| Borrower | | | |

| | | | | |
|--|--|------------|--|-----------|
| D. Security Risk | 10% | | | |
| 1. Security Coverage (Primary) | Fully Pledged facilities/substantially cash covered / Reg. Mortg. for HBL | 4 | Registered Hypothecation (1st Charge/1st Pari passu Charge) | 3 |
| | Registered Hypothecation (1 st Charge/1st Pari passu Charge) | 3 | | |
| | 2nd charge/Inferior charge | 2 | | |
| | Simple hypothecation/Negative lien on assets | 1 | | |
| | No security | 0 | | |
| 2. Collateral Coverage (Property Location) | Registered Mortgage on Municipal corporation/Prime Area property | 4 | Registered Mortgage on Pourashava/Semi-Urban area property | 3 |
| | Registered Mortgage on Pourashava/Semi-Urban area property | 3 | | |
| | Equitable Mortgage or No property but Plant and Machinery as collateral | 2 | | |
| | Negative lien on collateral | 1 | | |
| | No collateral | 0 | | |
| 3. Support (Guarantee) | Personal Guarantee with high net worth or Strong Corporate Guarantee | 2 | Personal Guarantees or Corporate Guarantee with average financial strength | 1 |
| | Personal Guarantees or Corporate Guarantee with average financial strength | 1 | | |
| | No support/guarantee | 0 | | |
| Total Score- Security Risk | | 10 | | 7 |
| E. Relationship Risk | 10% | | | |
| 1. Account Conduct | More than 3 years Accounts with faultless record | 5 | Less than 3 years Accounts with faultless record | 4 |
| | Less than 3 years Accounts with faultless record | 4 | | |
| | Accounts having satisfactory dealings with some late payments. | 2 | | |
| | Frequent Past dues & Irregular dealings in account | 0 | | |
| 2. Utilization of Limit (actual/projection) | More than 60% | 2 | 100.00% | 2 |
| | 40% - 60% | 1 | | |
| | Less than 40% | 0 | | |
| 3. Compliance of Covenants / Conditions | Full Compliance | 2 | Full Compliance | 2 |
| | Some Non-Compliance | 1 | | |
| | No Compliance | 0 | | |
| 4. Personal Deposits | Personal accounts of the key business Sponsors/ Principals are maintained in the bank, with significant deposits | 1 | No depository relationship | 0 |
| | No depository relationship | 0 | | |
| Total Score- Relationship Risk | | 10 | | 8 |
| Grand Total - All Risk | | 100 | | 78 |